

**MOR-1**

CASE NAME: Watson Valve Services, LLC  
 CASE NUMBER: 20-30968  
 PROPOSED PLAN DATE: Unknown

**UNITED STATES BANKRUPTCY COURT**

PETITION DATE: 2/6/2020  
 DISTRICT OF TEXAS: Southern  
 DIVISION: Houston

**MONTHLY OPERATING REPORT SUMMARY FOR****MARCH 2020**

MONTH	02/01/20-02/29/20	03/01/20-03/31/20					
REVENUES (MOR-6)		0.00	303,797.00	0.00	0.00	0.00	0.00
INCOME BEFORE INT; DEPREC./TAX (MOR-6)		-137,239.75	656.23	0.00	0.00	0.00	0.00
NET INCOME (LOSS) (MOR-6)		-137,239.75	225,656.23	0.00	0.00	0.00	0.00
PAYMENTS TO INSIDERS (MOR-9)		31,662.16	31,665.02	0.00	0.00	0.00	0.00
PAYMENTS TO PROFESSIONALS (MOR-9)		0.00	0.00	0.00	0.00	0.00	0.00
TOTAL DISBURSEMENTS (MOR-7)		123,573.97	116,426.28	0.00	0.00	0.00	0.00

\*\*\*The original of this document must be filed with the United States Bankruptcy Court and a copy must be sent to the United States Trustee\*\*\*

REQUIRED INSURANCE MAINTAINED AS OF SIGNATURE DATE		EXP. DATE	CIRCLE ONE
CASUALTY	YES (x) NO ( )	<u>11/30/2020</u>	Are all accounts receivable being collected within terms? <u>Yes</u> <u>No</u>
LIABILITY	YES (x) NO ( )	<u>11/30/2020</u>	Are all post-petition liabilities, including taxes, being paid within terms? <u>Yes</u> <u>No</u>
VEHICLE	YES (x) NO ( )	<u>11/30/2020</u>	Have any pre-petition liabilities been paid? <u>Yes</u> <u>No</u> If so, describe _____
WORKER'S	YES (x) NO ( )	<u>11/30/2020</u>	Are all funds received being deposited into DIP bank accounts? <u>Yes</u> <u>No</u>
OTHER	YES (x) NO ( )	<u>11/30/2020</u>	Were any assets disposed of outside the normal course of business? <u>Yes</u> <u>No</u> If so, describe _____
			Are all U.S. Trustee Quarterly Fee Payments current? <u>Yes</u> <u>No</u>
			What is the status of your Plan of Reorganization? _____

ATTORNEY NAME: Jarrod Martin  
 FIRM NAME: McDowell Hetherington LLP  
 ADDRESS: First City Tower  
1001 Fannin Street, Suite 2700  
 CITY, STATE, ZIP: Houston, TX 77002  
 TELEPHONE/FAX: 713-333-6036

I certify under penalty of perjury that the following complete  
 Monthly Operating Report (MOR), consisting of MOR-1 through  
 MOR-9 plus attachments, is true and correct.

SIGNED X  TITLE: COO  
 (ORIGINAL SIGNATURE)  
 Robert White, COO  
 (PRINT NAME OF SIGNATORY)

DATE Revised 07/01/98**MOR-1**

Reservation of Rights: The Debtor reserves all rights to amend or supplement the MOR in all respects, as may be necessary or appropriate, but shall be under no obligation to do so. Nothing contained in this MOR shall constitute a waiver of any of the Debtor's rights or an admission with respect to its Chapter 11.

Some regularly recurring journal entries have not been posted as of 02.29.2020; certain accruals have not been recorded based on the timing (due date) for the reports.

CASE NAME: Watson Valve Services, LLC  
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### COMPARATIVE BALANCE SHEETS

ASSETS	FILING DATE*	MONTH Feb 2020	MONTH Mar 2020	MONTH	MONTH	MONTH	MONTH
<b>CURRENT ASSETS</b>							
Cash	949,195.09	909,604.12	1,931,520.63				
Accounts Receivable, Net	1,018,319.61	287,292.82	193,241.15				
Inventory: Lower of Cost or Market	3,349.00	3,349.00	3,349.00				
Prepaid Expenses	<b>FN3</b>	134,605.20	134,605.20	134,605.20			
Deposits	<b>FN4</b>	45,360.00	45,360.00	45,360.00			
Investments		0.00	0.00	0.00			
Insurance		29,000,000.00	29,000,000.00	29,000,000.00			
Other	<b>FN1</b>	5,000.00	5,000.00	5,000.00			
<b>TOTAL CURRENT ASSETS</b>		<b>31,155,828.90</b>	<b>30,385,211.14</b>	<b>31,313,075.98</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
PROPERTY, PLANT & EQUIP. @ COST	<b>FN2</b>	64,645.78	64,645.78	64,645.78			
Less Accumulated Depreciation		0.00	0.00	0.00			
<b>NET BOOK VALUE OF PP &amp; E</b>		<b>64,645.78</b>	<b>64,645.78</b>	<b>64,645.78</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>OTHER ASSETS</b>							
1.							
2.							
3.							
4.							
<b>TOTAL ASSETS</b>		<b>\$31,220,474.68</b>	<b>\$30,449,856.92</b>	<b>\$31,377,721.76</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>

\* Per Schedules and Statement of Affairs

Revised 07/01/98

**MOR-2**

**FN1** Employee Receivable  
**FN2** Global Shop Solutions ERP Software (\$43,215.27); 2013 Ford F450 (\$21,430.51)  
**FN3** Prepaid Insurance - Al Thurmond Agency, Inc.  
**FN4** Equipment Deposit - Dunn's Testing

CASE NAME: Watson Valve Services, LLC  
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### COMPARATIVE BALANCE SHEETS

LIABILITIES & OWNER'S EQUITY	FILING DATE*	MONTH Feb 2020	MONTH Mar 2020	MONTH	MONTH	MONTH	MONTH	MONTH
<b>LIABILITIES</b>								
POST-PETITION LIABILITIES(MOR-4)	0.00	0.00	188,363.61	0.00	0.00	0.00	0.00	0.00
PRE-PETITION LIABILITIES								
Notes Payable - Secured	<b>FN2</b>	3,045,500.00	3,045,500.00	3,045,500.00				
Priority Debt - Unsecured	<b>FN3</b>	60,964.61	60,964.61	60,964.61				
Federal Income Tax								
FICA/Withholding								
Unsecured Debt	<b>FN4   FN5</b>	896,037.08	883,993.28	883,993.28				
Other								
TOTAL PRE-PETITION LIABILITIES	4,002,501.69	3,990,457.89	3,990,457.89	0.00	0.00	0.00	0.00	0.00
<b>TOTAL LIABILITIES</b>	<b>4,002,501.69</b>	<b>3,990,457.89</b>	<b>4,178,821.50</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>OWNER'S EQUITY (DEFICIT)</b>								
PREFERRED STOCK								
COMMON STOCK								
ADDITIONAL PAID-IN CAPITAL								
RETAINED EARNINGS: Filing Date	27,217,972.99	27,217,972.99	27,217,972.99					
RETAINED EARNINGS: Post Filing Date	0.00	-137,239.75	225,656.23	0.00	0.00	0.00	0.00	0.00
RETAINED EARNINGS: Pre / Post Filing Date Adjustments	<b>FN1   FN6</b>	0.00	-621,334.21	-244,728.96				
TOTAL OWNER'S EQUITY (NET WORTH)	27,217,972.99	26,459,399.03	27,198,900.26	0.00	0.00	0.00	0.00	0.00
<b>TOTAL LIABILITIES &amp; OWNERS EQUITY</b>	<b>\$31,220,474.68</b>	<b>\$30,449,856.92</b>	<b>\$31,377,721.76</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>

\* Per Schedules and Statement of Affairs

**MOR-3**

Revised 07/01/98

\$0.00                    \$0.00                    \$0.00                    \$0.00                    \$0.00                    \$0.00                    \$0.00                    \$0.00

**FN1**                    Adjustments such as payment of pre-petition debt, reduction of actual post petition debt, and other general operational adjustments  
**FN2**                    Texas Capital Bank Borrowing Base Line of Credit (\$3,000,000.00); Harris County Tax Assessor-Collector (\$45,500.00)  
**FN3**                    Texas Comptroller of Public Accounts (\$12,000.00); Accrued PTO (\$48,964.61)  
**FN4**                    Significant number Litigation Claims have been filed but the pending amounts are Unknown at this time, thus excluded from the total  
**FN5**                    Cash Collateral Budget approved by the court to pay Business Insurance premium - AFCO (\$10,778.80); UFG Insurance (\$1,265.00)  
**FN6**                    Ongoing operational adjustments

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### SCHEDULE OF POST-PETITION LIABILITIES

	MONTH Feb 2020	MONTH Mar 2020	MONTH	MONTH	MONTH	MONTH
<b>TRADE ACCOUNTS PAYABLE</b>	0.00	763.92				
TAX PAYABLE						
Federal Payroll Taxes						
State Payroll Taxes						
Ad Valorem Taxes						
Other Taxes						
<b>TOTAL TAXES PAYABLE</b>	0.00	0.00	0.00	0.00	0.00	0.00
SECURED DEBT POST-PETITION						
ACCRUED INTEREST PAYABLE						
ACCRUED PROFESSIONAL FEES*						
OTHER ACCRUED LIABILITIES						
1. McDowell Hetherington LLP	<b>FN1</b>	0.00	63,299.69			
2. MACCO Restructuring Group	<b>FN1</b>	0.00	124,300.00			
3. US Trustee Fees (Unpaid)		0.00	0.00			
<b>TOTAL POST-PETITION LIABILITIES (MOR-3)</b>		\$0.00	\$188,363.61	\$0.00	\$0.00	\$0.00

\*Payment requires Court Approval

**MOR-4**

Revised 07/01/98

**FN1** Aggregated professional / legal fees beyond retainers

CASE NAME: Watson Valve Services, LLC  
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**AGING OF POST-PETITION LIABILITIES**

**MONTH** Mar 2020

DAYS	TOTAL	TRADE ACCOUNTS	FEDERAL TAXES	STATE TAXES	AD VALOREM, OTHER TAXES	OTHER
0-30	300.00	300.00				
31-60	463.92	463.92				
61-90	0.00	0.00				
91+	0.00	0.00				
<b>TOTAL</b>	<b>\$763.92</b>	<b>\$763.92</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>

**AGING OF ACCOUNTS RECEIVABLE**

MONTH	Feb 2020	Mar 2020				
0-30 DAYS	0.00	144,190.69				
31-60 DAYS	13,717.50	0.00				
61-90 DAYS	264,688.32	13,717.50				
91+ DAYS	8,887.00	35,332.96				
<b>TOTAL</b>	<b>\$287,292.82</b>	<b>\$193,241.15</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>

**MOR-5**

*Revised 07/01/98*

CASE NAME: Watson Valve Services, LLC  
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### STATEMENT OF INCOME (LOSS)

	MONTH Feb 2020	MONTH Mar 2020	MONTH	MONTH	MONTH	MONTH	FILING TO DATE
REVENUES (MOR-1)	0.00	303,797.00					303,797.00
TOTAL COST OF REVENUES	43,385.44	41,794.10					85,179.54
GROSS PROFIT	-43,385.44	262,002.90	0.00	0.00	0.00	0.00	218,617.46
<b>OPERATING EXPENSES:</b>							
Selling & Marketing							0.00
General & Administrative	1,479.98	412.44	0.00	0.00	0.00	0.00	1,892.42
Insiders Compensation	31,662.16	31,665.02	0.00	0.00	0.00	0.00	63,327.18
Payroll & Payroll Taxes	60,640.17	41,405.82					102,045.99
Professional Fees	<b>FN2</b>	0.00	124,300.00	0.00	0.00	0.00	124,300.00
Legal Fees	<b>FN2</b>	0.00	63,299.69	0.00	0.00	0.00	63,299.69
Bank Fees		72.00	263.70				335.70
Other							0.00
<b>TOTAL OPERATING EXPENSES</b>	<b>93,854.31</b>	<b>261,346.67</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>355,200.98</b>
INCOME BEFORE INT, DEPR/TAX (MOR-1)	-137,239.75	656.23	0.00	0.00	0.00	0.00	-136,583.52
INTEREST EXPENSE							0.00
DEPRECIATION							0.00
OTHER (INCOME) EXPENSE*	<b>FN1</b>		<b>-225,000.00</b>				<b>-225,000.00</b>
OTHER ITEMS**							0.00
<b>TOTAL INT, DEPR &amp; OTHER ITEMS</b>	<b>0.00</b>	<b>-225,000.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>-225,000.00</b>
NET INCOME BEFORE TAXES	-137,239.75	225,656.23	0.00	0.00	0.00	0.00	88,416.48
FEDERAL INCOME TAXES							0.00
<b>NET INCOME (LOSS) (MOR-1)</b>	<b>(\$137,239.75)</b>	<b>\$225,656.23</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$88,416.48</b>

Accrual Accounting Required, Otherwise Footnote with Explanation.

\* Footnote Mandatory.

\*\* Unusual and/or infrequent item(s) outside the ordinary course of business requires footnote.

**MOR-6**

Revised 07/01/98

**FN1**

Insurance Payment

**FN2**

Aggregated professional / legal fees beyond retainers pursuant to MOR-4

CASE NAME: Watson Valve Services, LLC  
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CASH RECEIPTS AND DISBURSEMENTS	MONTH Feb 2020	MONTH Mar 2020	MONTH	MONTH	MONTH	MONTH	FILING TO DATE
1. CASH-BEGINNING OF MONTH	\$949,195.09	\$909,604.12	\$1,931,520.63	\$1,931,520.63	\$1,931,520.63	\$1,931,520.63	\$949,195.09
<b>RECEIPTS:</b>							
2. CASH SALES							0.00
3. COLLECTION OF ACCOUNTS RECEIVABLE <b>FN3</b>	83,983.00	913,342.79					997,325.79
4. LOANS & ADVANCES (attach list)							0.00
5. SALE OF ASSETS							0.00
6. CONTRIBUTIONS							0.00
7. OTHER (Insurance Payment)		225,000.00					225,000.00
<b>TOTAL RECEIPTS**</b>	83,983.00	1,138,342.79	0.00	0.00	0.00	0.00	1,222,325.79
(Withdrawal) Contribution by Individual Debtor MFR-2*							0.00
<b>DISBURSEMENTS:</b>							
7a. NET PAYROLL							0.00
7b. INSIDER COMPENSATION <b>FN2</b>	31,662.16	31,665.02					63,327.18
8. PAYROLL TAXES PAID							0.00
9. SALES, USE & OTHER TAXES PAID							0.00
10. SECURED/RENTAL/LEASES							0.00
11. UTILITIES & TELEPHONE							0.00
12. INSURANCE	12,043.80	1,265.00					13,308.80
13. INVENTORY PURCHASES							0.00
14. VEHICLE EXPENSES							0.00
15. TRAVEL & ENTERTAINMENT							0.00
16. REPAIRS, MAINTENANCE & SUPPLIES	2,627.09	417.01					3,044.10
17. ADMINISTRATIVE & SELLING	77,240.92	83,079.25					160,320.17
18. PROFESSIONAL FEES							
19. LEGAL FEES							
20. OTHER (attach list)							0.00
<b>TOTAL DISBURSEMENTS FROM OPERATIONS</b>	123,573.97	116,426.28	0.00	0.00	0.00	0.00	240,000.25
19. PROFESSIONAL FEES	0.00						0.00
20. U.S. TRUSTEE FEES	0.00						0.00
21. OTHER REORGANIZATION EXPENSES (attach list)							0.00
<b>TOTAL DISBURSEMENTS**</b>	123,573.97	116,426.28	0.00	0.00	0.00	0.00	240,000.25
22. NET CASH FLOW	-39,590.97	1,021,916.51	0.00	0.00	0.00	0.00	982,325.54
<b>23. CASH - END OF MONTH (MOR-2)</b> <b>FN1</b>	\$909,604.12	\$1,931,520.63	\$1,931,520.63	\$1,931,520.63	\$1,931,520.63	\$1,931,520.63	\$1,931,520.63

**MOR-7**

\* Applies to Individual debtors only

\*\*Numbers for the current month should balance (match)

RECEIPTS and CHECKS/OTHER DISBURSEMENTS lines on MOR-8

Revised 07/01/98

**FN1** \$572,241.86 related to AMUR HMP, LLC (Russia) Project --> funds to be returned**FN2** Amended February 2020 Insider Compensation figure thus reducing Administrative and Selling amount**FN3** \$515,494.12: received on behalf of Watson Grinding; Currently in Valves account but will be transferred to Grinding at a later date

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**CASH ACCOUNT RECONCILIATION**  
**MONTH OF** Mar 2020

BANK NAME	Texas Capital Bank	Texas Capital Bank	Texas Capital Bank	Compass Bank	
ACCOUNT NUMBER	Acct Ending 0552	Acct Ending 4882	Acct Ending 4874	Acct Ending 6583	
ACCOUNT TYPE	<b>OPERATING</b>	<b>PT HUAYUE NICKEL COBALT (CHINA) PROJECT</b>	<b>AMUR HMP, LLC (RUSSIA) PROJECT</b>	<b>OPERATING</b>	<b>TOTAL</b>
BANK BALANCE	1,461,055.24	243,141.59	0.00	227,323.80	1,931,520.63
DEPOSITS IN TRANSIT	0.00	0.00	0.00	0.00	0.00
OUTSTANDING CHECKS	0.00	0.00	0.00	0.00	0.00
ADJUSTED BANK BALANCE	\$1,461,055.24	\$243,141.59	\$0.00	\$227,323.80	\$1,931,520.63
BEGINNING CASH - PER BOOKS	664,098.83	243,141.59	0.00	2,363.70	909,604.12
RECEIPTS* <b>FN2</b>	913,342.79		0.00	225,000.00	1,138,342.79
TRANSFERS BETWEEN ACCOUNTS	0.00	0.00	0.00	0.00	0.00
(WITHDRAWAL) OR INDIVIDUAL CONTRIBUTION BY DEBTOR MFR-2	0.00	0.00	0.00	0.00	0.00
CHECKS/OTHER DISBURSEMENTS*	116,386.38		0.00	39.90	116,426.28
ENDING CASH - PER BOOKS <b>FN1</b>	\$1,461,055.24	\$243,141.59	\$0.00	\$227,323.80	\$1,931,520.63

**MOR-8**

\*Numbers should balance (match) TOTAL RECEIPTS an *Revised 07/01/98*

\$0.00

TOTAL DISBURSEMENTS lines on MOR-7

**FN1** \$572,241.86: related to AMUR HMP, LLC (Russia) Project --> funds to be returned

**FN2** \$515,494.12: received on behalf of Watson Grinding; Currently in Valves account but will be transferred to Grinding at a later date

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## PAYMENTS TO INSIDERS AND PROFESSIONALS

Of the total disbursements shown for the month, list the amount paid to insiders (as defined in Section 101(31)(A)-(F) of the U.S. Bankruptcy Code) and the professionals. Also, for insiders, identify the type of compensation paid (e.g., salary, commission, bonus, etc.) (Attach additional pages as necessary).

INSIDERS: NAME/COMP TYPE	MONTH Feb 2020	MONTH Mar 2020	MONTH	MONTH	MONTH	MONTH
1. John Watson	11,665.32	11,666.86				
2. Robert White	9,998.42	9,999.22				
3. Jason White	9,998.42	9,998.94				
4.						
5.						
6.						
TOTAL INSIDERS (MOR-1)	\$31,662.16	\$31,665.02	\$0.00	\$0.00	\$0.00	\$0.00

PROFESSIONALS	MONTH Feb 2020	MONTH Mar 2020	MONTH	MONTH	MONTH	MONTH
1. McDowell Hetherington LLP	0.00	0.00				
2. MACCO Restructuring Group	0.00	0.00				
3.						
4.						
5.						
6.						
TOTAL PROFESSIONALS (MOR-1)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

MOR-9

Revised 07/01/98